



GOVERNOR'S OFFICE OF
BUDGET AND PROGRAM PLANNING

Fiscal Note 2017 Biennium

| | | | |
|-------------------------|---------------|----------------|---|
| Bill # | HB0389 | Title: | Require department of revenue review of tax exempt properties |
| Primary Sponsor: | Essmann, Jeff | Status: | As Amended in House Committee |

- ☐ Significant Local Gov Impact
 ☒ Needs to be included in HB 2
 ☐ Technical Concerns
☐ Included in the Executive Budget
 ☐ Significant Long-Term Impacts
 ☒ Dedicated Revenue Form Attached

FISCAL SUMMARY

| | <u>FY 2016 Difference</u> | <u>FY 2017 Difference</u> | <u>FY 2018 Difference</u> | <u>FY 2019 Difference</u> |
|---|-------------------------------|-------------------------------|-------------------------------|-------------------------------|
| Expenditures: | | | | |
| General Fund | \$0 | \$0 | \$0 | \$0 |
| State Special Revenue | \$124,674 | \$84,555 | \$86,000 | \$87,473 |
| Revenue: | | | | |
| General Fund | \$0 | \$0 | \$0 | \$0 |
| State Special Revenue | \$124,674 | \$84,555 | \$86,000 | \$87,473 |
| Net Impact-General Fund Balance: | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> |

Description of fiscal impact: HB 389, as amended requires owners of tax exempt property to apply for the property tax exemptions allowed under Chapter 15, part 2, MCA. Taxpayers are to reapply every six years with initial applications submitted by March 1, 2016. The Department of Revenue is to establish a fee for these applications, commensurate with program administrative costs. The fees are to be deposited into a new property exemption state special revenue fund. The department is to create and maintain a public internet database of tax-exempt parcels which is organized by county and type of exemption.

FISCAL ANALYSIS

Assumptions:

- HB 389 requires owners of exempt property to file an application with the department for their property tax exemption. Owners must also file for a renewal at least once every six years. The department must notify owners concerning the status of their exemption and the renewal requirements.
- HB 389 also requires the department to build and maintain an internet database of exempt property organized by county, and type of exemption.

3. It is estimated that the initial costs of notifying property owners and processing their applications will cost \$124,674.
4. The state special revenue fund costs include 1.00 FTE, printing of postcards, contracted services, creation of application forms, and the construction of a payment application that interfaces with SABHRS
5. It is anticipated that costs associated with maintaining an online database will be minimal.
6. It is assumed fees will be charged commensurate with the associated costs listed in prior assumptions.

| | <u>FY 2016 Difference</u> | <u>FY 2017 Difference</u> | <u>FY 2018 Difference</u> | <u>FY 2019 Difference</u> |
|---|--------------------------------------|--------------------------------------|--------------------------------------|--------------------------------------|
| <u>Fiscal Impact:</u> | | | | |
| FTE | 1.00 | 1.00 | 1.00 | 1.00 |
| <u>Expenditures:</u> | | | | |
| Personal Services | \$77,851 | \$77,851 | \$79,195 | \$80,566 |
| Operating Expenses | \$33,565 | \$6,704 | \$6,805 | \$6,907 |
| Equipment | \$13,258 | \$0 | \$0 | \$0 |
| TOTAL Expenditures | \$124,674 | \$84,555 | \$86,000 | \$87,473 |
| <u>Funding of Expenditures:</u> | | | | |
| General Fund (01) | \$0 | \$0 | \$0 | \$0 |
| State Special Revenue (02) | \$124,674 | \$84,555 | \$86,000 | \$87,473 |
| TOTAL Funding of Exp. | \$124,674 | \$84,555 | \$86,000 | \$87,473 |
| <u>Revenues:</u> | | | | |
| General Fund (01) | \$0 | \$0 | \$0 | \$0 |
| State Special Revenue (02) | \$124,674 | \$84,555 | \$86,000 | \$87,473 |
| TOTAL Revenues | \$124,674 | \$84,555 | \$86,000 | \$87,473 |
| <u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures):</u> | | | | |
| General Fund (01) | \$0 | \$0 | \$0 | \$0 |
| State Special Revenue (02) | \$0 | \$0 | \$0 | \$0 |

Sponsor's Initials

Date

Budget Director's Initials

Date



Dedication of Revenue 2017 Biennium

17-1-507-509, MCA.

- a) **Are there persons or entities that benefit from this dedicated revenue that do not pay? (please explain)**

No.

- b) **What special information or other advantages exist as a result of using a state special revenue fund that could not be obtained if the revenue were allocated to the general fund?**

Fees can be tracked per proposed legislation.

- c) **Is the source of revenue relevant to current use of the funds and adequate to fund the program activity that is intended? Yes / No (if no, explain)**

Yes.

- d) **Does the need for this state special revenue provision still exist? ☒ Yes ☐ No (Explain)**

The new fund is to track fees to ensure that they are commensurate expenditures for this program per the proposed legislation (HB 389)

- e) **Does the dedicated revenue affect the legislature's ability to scrutinize budgets, control expenditures, or establish priorities for state spending? (Please Explain)**

The state special revenue fund would be set-up specifically so that the Legislature can track these revenues.

- f) **Does the dedicated revenue fulfill a continuing, legislatively recognized need? (Please Explain)**

Yes, HB 389 requires the establishment of the state special revenue fund.

- g) **How does the dedicated revenue provision result in accounting/auditing efficiencies or inefficiencies in your agency? (Please Explain. Also, if the program/activity were general funded, could you adequately account for the program/activity?)**

The fund exists specifically at the Legislature's request; these receipts could be tracked independently.